

Message Text

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ACTION XMB-04

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 1098

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E.O. 11652: N/A

TAGS: BPRO, GY

SUBJECT: FCIA CREDIT INSURANCE FOR SALES TO GUYANA STOCKFEEDS, LTD

REF: STATE 87486

1. GUYANA STOCKFEEDS, LTD. IS MAJOR ANIMAL FEED PRODUCER IN GUYANA. GUYANA INDUSTRIAL HOLDINGS, LTD; A SUBSIDIARY OF THE BOOKER/MCCONNLL GROUP HOLDS 45 PERCENT OF STOCKFEEDS EQUITY. THE REMAINDER IS HELD BY VARIOUS PRIVATE INTERESTS.

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2. PRIMARY REASON FOR IMPOSITION BY GOG OF PRICE CONTROLS IN 1974 WAS NATIONAL ELECTIONS HELD THAT YEAR. AFTER ELECTIONS, INCUMBENT GOVT AGREED TO (A) SUBSIDIZE FUTURE PURCHASES AND (B) PERMIT REBATE TO STOCKFEEDS IN ORDER THAT FIRM COULD RECOVER PART OF 1973 LOSS. AS RESULT THIS ACTION, COMPANY SHOWS PROFIT FOR 1974 OF DOLS GUYANA 1,150,000. ACTUAL PROFIT FROM SALES AMOUNTED TO DOLS GUYANA 888,000. (EMBASSY POUCHING 1974 COMPANY REPORT.)

3. IN RESPONSE TO PARA TWO REFTTEL, WE BELIEVE SUBSIDY FIRM FOR FOLLOWING REASONS: (A) GOG HAS MORE THAN ENOUGH REVENUE THIS YEAR TO CONTINUE THIS RELATIVELY SMALL SUBSIDY; (B) GOG-OWNED MILL, IS
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NOT RPT NOT ABLE TO PRODUCE QUANTITY AND QUALITY FEED TO MEET
NEEDS OF GOG ANIMAL HUSBANDRY PROJECTS. CONSEQUENTLY GUYANA
STOCKFEEDS IS NOW SUPPLYING SOME OF GOG'S REQUIREMENTS.
GOG APPARENTLY RECOGNIZED THAT STOCKFEEDS RELATIVE EFFICIENCY
IS PARTLY DUE TO ITS PRIVATE MANAGEMENT AND OWNERSHIP; (C) IT
HAS BEEN POLICY OF GOG TO NATIONALIZE COMPANIES ONLY AFTER
CONSIDERABLE PRIOR NOTICE. NO RPT NO SUC NOTIFICATION HAS BEEN
GIVEN, NOR HAS GOG IMPLIED THE COMPANY MAY BE NATIONALIZED.
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4. GUYANA INDUSTRIAL HOLDINGS, LTD; NO LONGER GUARANTOR OF
GUYANA STOCKFEEDS AND BOOKERS SENIOR OFFICIAL TOLD EMBASSY THAT
PARENT COMPANY WOULD NOT RPT NOT ASSUME GUARANTOR ROLE. BOOKERS
INCIDENTALLY IS LARGEST AND SOUNDEST PRIVATE COMPANY IN GUYANA.
FCIA SHOULD NOTE THAT LOCAL OFFICE OF ROYAL BANK OF CANADA RECENTLY
EXTENDED DOLS GUYANA DOLS 1,300,000 OVERDRAFT AND 500,000 LETTER
OF CREDIT FACILITY TO GUYANA STOCKFEEDS WITHOUT REQUIRING GUARANTEE.

5. EMBASSY RECOMMENDS AGAINST ANY APPROACH TO GOG FOR
GUARANTEE, SINCE STOCKFEEDS IS TOTALLY PRIVATE COMPANY AND LIKELY TO
REMAIN FINANCIALLY SOUND. GOG WOULD ALMOST CERTAINLY REFUSE TO
ACCEPT GUARANTOR POSITION.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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